

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
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E.O. 11652: N/A
TAGS: ENRG, SA
SUBJECT: ARAMCO CHAIRMAN REPLIES TO NEW YORK TIMES ARTICLE

1. ARAMCO OFFICIAL GAVE CONSOFFS ADVANCE TEXT OF LETTER FROM ARAMCO
CHAIRMAN JOHN KELBERER TO EDITOR OF NEW YORK TIMES, RESPONDING TO
SEYMOUR HERSH ARTICLE OF DECEMBER 25. LETTER, WHICH WAS PREPARED BY
REPRESENTATIVES OF EXXON, MOBIL, TEXACO AND ARAMCO, AS FOLLOWS:

QUOTE:

TO THE EDITOR OF THE NEW YORK TIMES
229 WEST 43RD STREET
NEW YORK, NEW YORK 10036

DEAR SIR:

I WAS SURPRISED BY YOUR FRONTMPAGE ARTICLE ON CHRISTMAS MORNING BY
MR. SEYMOUR M. HERSH HEADLINED "U.S. EXPERTS FEAR SAUDI TROUBLES
IN THE OILFIELDS MAY LIMIT OUTPUT." THE ARTICLE'S GENERAL TOFUST
WAS INACCURATE AND MISLEADING.

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BASIC TO AN UNDERSTANDING
OF SAUDI ARABIA'S PRODUCTION POTENTIAL IS THE FACT

THAT SAUDI ARABIA HAS, BY FAR, THE WORLD'S
LARGEST RESERVES OF CRUDE OIL. THESE RESERVES HAVE BEEN
INCREASED EVERY YEAR OVER THE PAST DECADE. THEY WERE AGAIN

INCREASED IN 1977 DESPITE A NEW HIGH IN ANNUAL PRODUCTION.
FROM A TECHNICAL STANDPOINT PRODUCTION RATES COULD BE RAISED
SIGNIFICATLY
ABOVE CURRENT LEVELS WITHOUT AFFECTING ULTIMATE
RECOVERY. THE CURRENT AVERAGE DEPLETION RATES OF SAUDI ARABIAN
OILFIELDS ARE AMONG THE LOWEST IN THE WORLD, AND THE RESERVES-TO-
PRODUCTION RATIONS ARE AMONG THE HIGHEST. IN FACT, OVER THE PAST
SEVERAL YEARS, ARAMCO HAS ADDED, EACH YEAR, ABOUT ONE MILLION
BARRELS PER DAY OF PRODUCTIVE CAPACITY.

I WOULD LIKE TO CORRECT SOME OF THE MORE GLARING INACCURACIES
IN THE ARTICLE.

1. CONTRARY TO WHAT WAS STATED IN THE ARTICLE, OILFIELDS
CANNOT BE SERIOUSLY DAMAGED BY SALT WATER CORROSION IN THE PUMPS
AND PIPELINES. ARAMCO'S PRODUCTION FROM ITS SOUTHER FIELDS
WAS CUT OFF FOR ABOUT 4 DAYS AS THE RESULT OF THE MAY, 1977,
FIRE CAUSED BY FAILURE OFF AN UNDERGROUND PIPELINE. PRODUCTION
FROM THESE FIELDS WAS COMPLETELY RESTORED WITHIN 30 DAYS.
ARMCO'S CAPACITY TO DELIVER CRUDE OIL TO ITS CUSTOMERS IS HIGHER
TODAY THAN EVER BEFORE.

2. RESERVOIR PRESSURE DECLINES ARE NORMAL AS CRUDE OIL IS

PRODUCED. ARAMCO, LIKE MOST OTHER OIL PRODUCERS, UTILIZES
LUGIFURE SUPPORT PROGRAMS OF GAS AND WATER INJECTION TO MAINTAIN
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RESERVOIR PRESSIES AT TECHNICALLY SOLID LEVELS.

3. THE ARTICLE'S ALLEGATION THAT SAUDI ARABIA OVER STATED THE
VOLUME OF ITS OIL EXPORTS BY BETWEEN 400,000 AND 1.5 MILLION
BARRELS DAILY IN EARLY 1977 MAKES NO SENSE AT ALL. ARAMCO
BILLS ITS CUSTOMERS AND PAYS TAXES AND ROYALTIES ON THE BASIS
OF INCOME FROM ACTUAL DELIVERIES OF CRUDE OIL AND REFINED
PRODUCTS. THESE TRANSACTIONS ARE THE BASIS FOR HE OFFICIAL
GOVERNMENT FIGURES AND ARE AUDITED BOTH BY ARAMCO'S AUDITORS
AND THE AUDITORS OF THE SAUDI ARAB GOVERNMENT.

ARAMCO FOLLOWS FIRST-CLASS OILFIELD PRACTICES IN ALL ITS
OPERATIONS, MEETS OR EXCEEDS INDUSTRY WIDE STANDARDS, AND UTILITZES
THE SERVICES OF MANY OF THE WORLD'S BEST RESERVOIR AND OILFIELD
EXPERTS TO ASSURE THE MAINTENANCE OF ITS HIGH STANDARDS. WE
REMAIN HAPPY TO RECEIVE, IN SAUDI ARABIA, NEWS MEDIA REPRESENTATIVES
SO THAT
THEY CAN FAIN QIRST HAND KNOWLEFE OF THE SITUATION.

SINCERELY YOURS,
JOHN J. KELBERER,
CHAIRMAN AND CHIEF EXECUTIVE OFFICER,

ARABIAN AMERICAN OIL COMPANY
DHAHRAN, SAUDI ARABIA
JANUARY 10, 1978.
UNQUOTE.
BUSHNELL

NOTE BY OC/T: TEXT AS RECEIVED.

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